

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6504

BILL NUMBER: SB 189

NOTE PREPARED: Dec 18, 2017

BILL AMENDED:

SUBJECT: K-12 Funding.

FIRST AUTHOR: Sen. Mishler

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill permits the Budget Agency to transfer from the state Tuition Reserve Account to the state General Fund the amount necessary to offset a reduction in basic tuition support, special education grants, or career and technical education grants as a result of actual enrollment counts exceeding the enrollment projection estimates. It limits the transfer to \$25,000,000 in a state fiscal year.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) The Tuition Reserve Account had a balance of \$348.3 M at the end of FY 2017. The account consists of money appropriated to the account by the General Assembly, money transferred to the account under any law, and interest earned on the balance of the account. Money in the account does not revert to the General Fund. If a transfer is made from the account to the General Fund under the bill, the state will forego any interest that would have been earned on the money transferred.

According to the most current estimates of the school funding formula, which incorporates the actual FY 2018 Average Daily Membership count, the appropriation for tuition support will be exceeded for FY 2018 by about \$11.8 M. Under current law, this would lead to a reduction of about \$11 per student. Under the bill, however, no school corporations, choice schools, or Mitch Daniels recipients would have a reduction. The final counts for special education grants will be finalized by February 2018. The final amount of transfer required to cover the difference in the appropriation and the actual grant amounts will depend on these counts.

Under current law, if these grant estimates are exceeded, then all recipients of funding under the tuition support formula (school corporations, choice schools, and Mitch Daniels scholarship recipients) experience

a proportional reduction in their funding so that the total amount distributed equals the appropriation for the fiscal year.

The bill expands the criteria for the Budget Agency to transfer funds from the state Tuition Reserve Account to the state General Fund. Transfers can currently be made if there is a revenue shortfall or if the actual amount of distributions for choice scholarships exceeds the latest estimate of the amount of the choice scholarship and causes basic tuition support to be reduced.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this bill, in FY 2018 and FY 2019, if the actual enrollment counts exceed the projected enrollment estimates, school corporations, choice scholarship schools, and Mitch Daniels scholarship recipients will receive distributions that will reflect their actual enrollment counts instead of having the distributions reduced in order to remain within the appropriation. However, if the difference is greater than \$25 M, the distributions will be reduced in order to not exceed the sum of the appropriation and the transferred amount.

State Agencies Affected: State Budget Agency.

Local Agencies Affected: School corporations; Choice scholarship schools.

Information Sources: Treasurer of the State.

Fiscal Analyst: Whitney Bross, 317-232-9523.